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THE STATE OF OUR ECONOMY UNDER GEORGE W. BUSH: MIDDLE CLASS SQUEEZED WHILE FUTURE UNDERMINED

A Special Senate Democratic Report

At the start of a new year, Americans take stock of the year past and look forward to the year ahead. For too many Americans, this past year was another year of stagnant wages, higher costs and the continued failure by the Bush White House and the Republican Congress to address the priorities of working Americans. While there are some positive economic developments, the state of our economy for middle-class families leaves too many squeezed between falling wages and rising prices for everything from health care to energy to college tuition. Washington Republicans have not only failed to address the real needs of the middle class, their policies have made matters worse. Moreover, the Republican focus on large tax breaks for special interests and the wealthy, and the resulting record deficits, have undermined the nation's future economic security. Middle-class families continue to pay the price for Republican Washington's culture of corruption and special interest giveaways.

THE STATE OF OUR ECONOMY FOR MIDDLE-CLASS FAMILIES: RISING COSTS

Health Care Premiums Have Increased by Over 50 Percent Since Bush Took Office. The cost of family health insurance has skyrocketed 57 percent since President Bush took office. The typical American family must now pay \$9,950 per year for health insurance compared with \$6,348 in 2000. [Kaiser Family Foundation]

Number of Uninsured Americans Has Increased Each Year. Almost 46 million Americans are living without health insurance. After decreasing at the end of the 1990s, the number of Americans without health insurance has increased from 39.8 million in 2000 to 45.8 million in 2004. A major cause is a decline in employer-sponsored health coverage: the number of people receiving health coverage through an employer decreased from 63.6 percent in 2000 to 59.8 percent in 2004. [Census Bureau]

Winter Heating Costs Have Risen by \$438, or 79 Percent. The cost of heating fuels has skyrocketed, leaving American families unprepared to deal with unprecedented increases in heating bills. The cost of heating a home for the winter has increased by \$438, or 79 percent, since the winter of 2001-2002. [Energy Information Administration, *Short Term Energy Outlook*, 12/6/05]

Transportation Costs for Families Have Increased by \$1,322. Prices at the gas pump have jumped 55 percent from \$1.44 per gallon in January 2001 to \$2.23 in January 2006, while the

price for a barrel of oil has more than doubled from \$29.26 in January 2001 to \$62.70 in January 2006. The average household with children will spend about \$3,225 on transportation fuel costs this year, an increase of 69 percent over 2001 costs. [Energy Information Administration, *Household Vehicle Energy Use: Latest Data and Trends*, 11/05 and *Weekly Retail Gasoline and Diesel Prices*]

College Tuition Continues to Skyrocket. Tuition and fees at four-year private universities have increased by almost \$1,200 or 5.9 percent in 2005 and 32 percent since 2001. At four-year public universities, tuition and fees increased by 7.1 percent this past year and 57 percent since President Bush took office. [College Board, 10/05]

Housing Affordability Has Reached a 14-year Low. Median monthly home ownership costs, including mortgage payments, have risen nearly 5 percent since President Bush has taken office. According to the Wall Street Journal, "Soaring house prices and higher mortgage rates have put homeownership out of reach for more people than at any time in more than a decade... Affordability has long been a problem for low-income home buyers. But as home prices have marched steadily higher in recent years, many buyers with healthier incomes also are being squeezed." [Census Bureau; Wall Street Journal, 12/22/05]

THE STATE OF ECONOMY FOR WORKERS: LOWER WAGES AND POOR JOB CREATION

While Working Families Work Harder, Their Wages Continue to Decline. Working families are working harder and earning less today than they were at the start of this administration. Average household income for working families when adjusted for inflation was \$46,058 in 2000 and has declined to \$44,389 today. At the same time, they have seen their real wages decline, the productivity of the American worker is up 13.5%. Therefore, Americans have worked harder – and better – over the past five years and received none of the benefits for their hard work. [Census Bureau; Bureau of Labor Statistics]

Worst Private Sector Job Growth Since Hoover Administration. A growing economy should be good news for those seeking jobs in the private sector. But over the course of President Bush's full five years in office, his Administration has the worst private sector job creation record since Herbert Hoover more than 70 years ago. This translates into an average annual job growth rate of 3/10 of one percent per year since this Administration took office. [Joint Economic Committee 12/7/05] The manufacturing sector, often the source of jobs with good pay and benefits, has lost almost 3 million jobs since the beginning of 2001. This lack of job growth is particularly troubling given that we are so far into the economic recovery. While payroll employment grew by 215,000 in November 2005 and economists expect a similar growth figure for December, it was not uncommon to see monthly job gains of 300,000 and even 400,000 during economic expansions under previous Administrations. [Economic Policy Institute, *The Boom That Wasn't*, 12/19/05.]

Unemployment Has Increased and Long Term Joblessness Has Nearly Doubled. In part because of this failure to create a sufficient number of jobs, the national unemployment rate stands at 5 percent – 20 percent higher than the 4.2 percent rate when President Bush took office.

Unfortunately, once unemployed, America's workers also are staying unemployed longer. As of November 2005, nearly one in five of the unemployed had been out of work for more than 26 weeks. The number of long-term unemployed has nearly doubled since President Bush took office. [Joint Economic Committee.]

More American Families and Children Face Severe Financial Problems. The number of Americans who are living in poverty has increased each year this Administration has been in office and is now nearly 20 percent higher today than in 2000. 37 million Americans were living in poverty at the end of 2004 – an increase of 5.4 million over the 2000 level. Poverty has hit America's children particularly hard. According to a UNICEF report on child poverty rates in 2005, more than one in five children in the U.S. live in "relative" poverty. [U.S. Census Bureau]

THE STATE OF OUR ECONOMIC FUTURE: DEBT AND DEFICITS

President Bush is the Most Fiscally Irresponsible President in History. President Bush has presided over the largest explosion of debt in our nation's history. When President Bush took office, the total national debt was \$5.7 trillion. Now Republicans want to increase the debt limit to almost \$9 trillion, and their budget policies would increase debt by 2010 to \$11.3 trillion. [U.S. Department of the Treasury, Bureau of Public Debt]

Enormous Trade Deficit Threatens to Undermine U.S. Competitiveness. Each year since 2001, the U.S. trade deficit has increased at double digit rates and in 2005 set an alarming record high of \$715 billion. Even more troubling, our trade in Advanced Technology Products – a strong indicator of U.S. competitiveness which was in surplus as recently as 2001 – experienced a deficit of more than \$43 billion in 2005. [Census Bureau; Associated Press, 12/5/05]

Debt Owed to Foreigners Climbs to Record Levels. In order to fund the trade and budget deficits, the U.S. has had to borrow at unprecedented rates from foreigners. In the 5 years of President Bush's tenure, the U.S. has accumulated more debt to foreigners, nearly \$1.1 trillion, than this country had accumulated in its first 224 years. By contrast, during the last three years of the Clinton Administration, the U.S. paid off more than \$200 billion in debt to foreigners. [*Major Foreign Holdings of Treasury Securities*, Treasury Department, Federal Reserve Board; Table OFS-2, *Estimated Ownership of U.S. Treasury Securities*, FMS Treasury Bulletin, 12/05]

Record Government and Personal Debt Levels Threaten Economic Future. Record federal deficits and debt create record interest costs. In 2006, interest costs on the federal debt will total nearly \$400 billion and this figure will grow to nearly \$600 billion by 2010. Record levels of personal indebtedness also limit choices and keep many Americans on the financial brink. At the end of the third quarter, Americans had the worst ratio of household debt and mortgage debt to disposable income in over 25 years. These record levels of personal debt cast an ominous shadow over the economic outlook for 2006, a cloud made darker as millions of adjustable-rate mortgages will reset over the coming year, forcing consumers to pay significantly higher interest rates. [Congressional Budget Office; Federal Reserve Board]

Erosion of Employer-Provided Pensions Threatens Americans' Retirement Security. Workers should be able to count on the retirement promises made by their employers.

Increasingly, that is not the case. A recent analysis by the Pension Benefit Guaranty Corporation, the federal entity created by Congress to protect employee pensions, found that nearly 10 percent of pension plans halted benefit accruals in 2003, the latest year for which complete data is available. According to PBGC Executive Director Bradley Belt, anecdotal evidence suggests that this number is even higher since then. Unfortunately, Bush White House proposals to expand tax-favored savings accounts that primarily benefit the wealthy risk further pension plan erosion. [[PBGC, <http://www.pbgc.gov/media/news-archive/2005/pr06-12.html>; Center on Budget and Policy Priorities, May 2005]

DEMOCRATIC SOLUTIONS TO IMPROVE THE STATE OF OUR ECONOMY FOR MIDDLE-CLASS FAMILIES

Democrats have proposed a variety of measures to improve our economy and address the middle class squeeze. Unfortunately, Washington Republicans, often acting on behalf of special interests, have repeatedly blocked these efforts.

Increase Wages: Democrats worked to increase the Federal minimum wage to restore the power of the minimum wage for working Americans. The Federal minimum wage has not been increased since 1997. Since 1997, Members of Congress have passed pay increases for themselves seven times, equivalent to a raise of \$28,500 or nearly three times the income of a worker earning the Federal minimum wage. Senator Kennedy introduced an amendment that would increase the Federal minimum wage by \$1.10 to \$7.75 an hour. The amendment was rejected by Senate Republicans. [RC 257, S. Amdt. 2063 to H.R. 3058, 10/19/05, 47-51]

Cut the Cost of Prescription Drugs: Democrats have proposed to reduce the cost of prescription drugs by allowing Medicare to negotiate for better prices. Washington Republicans have blocked these proposals on behalf of the pharmaceutical industry. [RC 60, S. Amdt. 214 to S. Con. Res. 18, 3/17/05, 49-50; S. 334; RC 302, S.AMDT.2371 to S. 1932, 11/3/05, 51-48]

Make College Tuition More Affordable: Democrats have proposed to expand student aid and make college tuition deductible. Instead, Washington Republicans just voted for the largest student aid cut in our nation's history, so that the savings can be used for special interest tax breaks. [RC 363, S. 1932, 12/21/05, 50-50 (Vice President Cheney Cast the Tie-breaking Vote)]

Cut the Cost of Gas Prices: Democrats have proposed to crack down on price gouging and market manipulation, but Washington Republicans have blocked such efforts on behalf of the oil and gas industry. [S. 1735]

Provide Relief from Skyrocketing Home Heating Prices: Democrats proposed to provide relief to Americans struggling with rising home heating costs, through the Low Income Home Energy Assistance Program and were rejected three times by Republicans. However, while Washington Republicans have approved a variety of new subsidies for the energy industry, during last minute budget negotiations they dropped an increase in LIHEAP assistance that would have helped ordinary families. [RC 250, S. Amdt. 2033 to H.R. 2863, 10/5/05, 50-49; RC 261, S. Amdt. 2077 to H.R. 3058, 10/20/05, 53-46; RC 270, S. 2194 to H.R. 3010, 10/26/05, 54-43]

Restore Fiscal Responsibility: While supporting fiscally responsible middle-class tax relief, Democrats have opposed massive new tax breaks for special interests and multi-millionaires that would increase the deficit. In addition, Democrats have pushed to reestablish “pay as you go” rules that require all new tax cuts and spending to be offset, to prevent further increases in the budget deficit. Washington Republicans have made deficit-increasing tax breaks their top priority, while defeating proposals to reestablish fiscal discipline through the “pay as you go” rules. [RC 53, S. Amdt. 186 to S. Con. Res. 18, 3/16/05, 50-50; RC 283, S. Amdt. 2351 to S. 1932, 11/3/05, 50-49]